

Message Text

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PAGE 01 KUALA 00950 201108Z

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

JUSE-00 /091 W

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2509

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 0950

E.O. 11652: NA

TAGS: ENRG, MY

SUBJ: MALAYSIA INCREASES RETAIL PRICES OF PETROLEUM PRODUCTS

1. BEGIN LIMITED OFFICIAL USE. SUMMARY: GOM AUTHORIZES INCREASES IN RETAIL PRICES OF GASOLINE, KEROFINE AND DIESEL "BECAUSE OF INCREASE IN CRUDE OIL PRICES BY OPEC COUNTRIES". U.S. OIL COMPANIES (ESSO, CALTEX, MOBIO) SAY INCREASES ARE REASONABLE. OIL FIRMS ENCOURAGED THAT GOM DECISION BASED ON ECONOMIC FACTORS WITH MINIMUM POLITICAL CONSIDERATIONS. GOVT MADE NO REF "EXCESS PROFITS" OF MULTI-NATIONAL OIL COMPANIES, A DEPARTURE FROM PAST. GOM AGREES TO SUBSIDIZE KEROSENE, MOST POLITICALLY SENSITIVE PETROLEUM PRODUCT, AND OIL COMPANIES SAY NEW PRICE PACKAGE CONTAINS ADEQUATE INCENTIVES TO PROVIDE KEROSENE THROUGH IMPORTS AND REFINERY RUNS SUFFICIENT TO ELIMINATE SHORTAGES WHICH HAVE FREQUENTLY OCCURRED IN PAST. END SUMMARY. END LIMITED OFFICIAL USE.

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PAGE 02 KUALA 00950 201108Z

2. BEGIN UNCLASSIFIED. EFF FEB 17 GOM AUTHORIZED

INCREASES IN RETAIL PRICES OF PETROLEUM PRODUCTS AS FOLLOWS (PER IMPERIAL GALLON):

A. PREMIUM GASOLINE -- INCREASE OF M\$ 0.28 (US\$0.11) TO M\$3.38 (US\$1.35). GOVT DUTIES ARE M\$1.41 (US\$0.56), INCREASE OF M\$0.11.

B. REGULAR GASOLINE -- INCREASE OF M\$0.25 (US\$0.10) TO M\$3.00 (US\$1.20). GOVT DUTIES ARE M\$1.41 (US\$0.56), INCREASE OF M\$0.11.

C. KEROSENE -- INCREASE OF M\$0.01 TO M\$0.82 (US\$0.33). GOVT DUTY OF M\$0.01 LEVIED FOR CONTROL PURPOSES RELATED TO GOM SUBSIDY REFUNDS TO OIL COMPANIES.

D. DIESEL -- INCREASE OF M\$0.18 (US\$0.07) TO M\$1.18 (US\$0.47). THERE ARE NO GOVT DUTIES.

3. GOVT NEWSRELEASE STATES PRICE INCREASES ARE BECAUSE OF INCREASES IN CRUDE OIL PRICES BY OPEC. INCREASED DUTIES ON GASOLINE ALLOW GOVT TO COMPENSATE OIL COMPANIES FOR UNDER-RECOVERY IN SALES OF KEROSENE. DOMESTIC CONSUMERS WHO PURCHASE KEROSENE IN BOTTLES SHOULD NOT PAY MORE THAN AMOUNT THEY HAVE BEEN PAYING FOR A STANDARD BOTTLE "(LARGE BEER BOTTLE OR CORDIAL BOTTLE". OIL COMPANIES HAVE ASSURED GOM THATTEFFECT ON BUS COMPANIES, FISHERMEN, AND GRAVEL PUMP TIN MINERS WILL NOT BE MORE THAN SEVEN CENTS PER GALLON FOR DIESEL AS THEY PAY COMMERCIAL PRICES RATHER THAN PUMP RETAIL PRICES.
APPLICABLE IN SABAH AND SARAWAK. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. COMMENT: AMERICAN RETAIL OIL COMPANIES (ESSO, CALTEX, MOBIL) SAY INCREASES ARE VERY REASONABLE, ALTHOUGH SOMEWHAT LESS THAN FULL RECOVERY OF INCREASES IN COSTS. PRICE INCREASES COMPENSATE FOR ABOUT 90 PCT CRUDE OIL COST INCREASES IN 1974. DEVALUATION OF MALAYSIAN DOLLAR DURING 1975, AND OPEC CRUDE OIL PRICE INCREASES LAST OCT. IF MALAYSIAN DOLLAR (RINGGIT) APPRECIATES TO US\$1.00 EQUALS M\$2.50, OIL COMPANIES COULD POSSIBLY RECOVER 100 PERCENT INCREASED COSTS (US\$1.00 NOW EQUALS M\$2.55).

6. AS RECENTLY AS TEN DAYS AGO, INTER-AGENCY GOM COMMITTEE CONSIDERING PRICE INCREASES WAS OFFERING ONLY 50-60 PCT OF AMOUNTS ASKED FOR BY OIL INDUSTRY. OIL COMPANIES ADOPTED TOUGH LIMITED OFFICIAL USE
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PAGE 03 KUALA 00950 201108Z

STAND, INCLUDING WALKING OUT OF MEETING AND WRITING STRONGLY-WORDED LETTERS TO COMMITTEE AND MINISTRIES INVOLVED. NEGOTIATIONS TURNER AROUND DRAMATICALLY WITH FINAL RESULT VERY ACCEPTABLE TO OIL COMPANIES.

7. IT IS ALSO NOTEWORTHY THAT GOM STATES PRICE INCREASES REQUIRED "BECAUSE OF INCREASE OF CRUDE OIL PRICES BY OPEC COUNTRIES". IN PAST GOM HAS REFERRED TO "EXCESS PROFITS" OF MULTI-NATIONAL OIL COMPANIES AND THAT THESE COMPANIES COULD WELL AFFORD AND SHOULD BE WILLING ABSORB SOME COST INCREASES.

U.S. OIL COMPANIES ENCOURAGED THAT GOM DECISION BASED ON ECO-
NOMIC CONSIDERATIONS WITH MINIMUM POLITICAL INFLUENCES, EXCEPT
FOR KEROSENE WHICH GOM AGREES TO SUBSIDIZE. END LIMITED
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UNDERHILL

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